

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State/Territory: HAWAII

Citation	Condition or Requirement
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1906 of the Act	State Method on Cost Effectiveness of Employer-Based Group Health Plans
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1. To determine cost effectiveness, compare monthly health insurance premiums against "fee for service" rate which is used as a standard to determine Kaiser Project (Kaipro) monthly capitation rate. If "fee for service" rate is higher than the monthly health insurance premium, determine that it would be cost effective for the State to purchase the group health insurance.

NOTE: Adjustments to the monthly group health insurance premium is necessary to account for the co-insurance and deductible amounts and administrative cost. Add these costs to the premium before making a comparison.

EXAMPLE: If cost of monthly group health insurance is \$50, adjust for coinsurance and deductible amounts by multiplying average employer health insurance payment rate, (e.g. 80%), and add to monthly rate, to obtain the employer recognized covered amount. (This rate is supplied and updated by HCFA periodically). Then add the administrative cost (e.g. \$5), for a total of \$95. If "fee for service" monthly standard rate is \$100, determine that it would be cost effective to purchase the group health insurance.

2. The following cases are deemed to be cost effective because of typical high costs associated with services rendered:

- a) child is currently hospitalized
- b) pregnant woman when health insurance policy covers pregnancy
- c) newborn up to age 1
- d) group policy when family coverage expense is less than \$100 per month and more than one family member is covered by Medicaid
- e) persons diagnosed with AIDS or HIV positive
- f) persons with other catastrophic illnesses

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